

# STATE OF HAWAII DEPARTMENT OF TRANSPORTATION 869 PUNCHBOWL STREET

HONOLULU HAWAII 96813-5097

FORD N. FUCHIGAMI DIRECTOR

Deputy Directors
JADE T BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T YOUNG

IN REPLY REFER TO:

Board of Land and Natural Resources State of Hawai'i Honolulu, Hawai'i

RESUBMITTAL-DIRECT ISSUANCE OF A PARKING CONCESSION TO ABM ON-SITE SERVICES - WEST, INC. HONOLULU INTERNATIONAL AIRPORT TAX MAP KEY: (1) 1-1-003:001 (PORTION)

O'AHU

The Department of Transportation ("DOT") proposes to directly offer a Concession Agreement (Agreement) for the parking concession at Honolulu International Airport ("HNL") on the Island of O'ahu. The following contains a description and summary of some of the major terms and conditions that the DOT anticipates incorporating into the Agreement.

## LEGAL REFERENCE:

Chapter 102, Hawai'i Revised Statutes ("HRS"), as amended.

## LOCATION AND TAX MAP KEY:

Honolulu International Airport Tax Map Key: 1<sup>st</sup> Division, 1-1-003:001 (Portion)

## **ZONING:**

State Land Use: Urban

City and County of Honolulu: Industrial (I-2)

## LAND STATUS:

Section 5(a), Hawai'i Admission Act – Non-Ceded DHHL 30% entitlement lands Yes \_\_\_\_\_ No \_X

## **CURRENT USE STATUS:**

Land presently encumbered by Governor's Executive Order No. 3201, dated June 8, 1983, setting aside 3,152.177 acres designated as Honolulu International Airport under

the control and management of the State of Hawai'i, Department of Transportation, Airports Division ("DOTA"), for Airport Purposes.

## TERM:

Eight years commencing on July 1, 2017, and ending on June 30, 2025.

## **CONCESSION FEE:**

- 1. <u>Annual Concession Fee</u>. The total annual Concession Fee shall be the greater of the following:
  - a. Minimum Annual Guaranteed Fee.

<u>First Year</u>. The minimum annual guaranteed fee for the first year of the term of the Agreement shall be \$15,600,000.00 (Fifteen Million, Six Hundred Thousand Dollars).

<u>Successive Years</u>. The minimum annual guaranteed fee for subsequent years of the term of the Agreement shall be 85% of what was paid and payable in the prior year.

## b. Percentage Fee.

The percentages (%) of the gross receipts from all Automobile Parking Facilities at the Airport for each Contract Year shall be as follows:

\$0 - \$30,000,000	80% of gross receipts
\$30,000,000.01 - \$31,000,000	81% of gross receipts
\$31,000,000.01 - \$32,000,000.	82% of gross receipts
\$32,000,000.01 - \$33,000,000	83% of gross receipts
\$33,000,000.01 - \$34,000,000	84% of gross receipts
Over \$34,000,000	85% of gross receipts

## **IMPROVEMENTS:**

The Concessionaire will make a minimum of \$1,700,000.00 (One Million, Seven Hundred Thousand Dollars) in improvements, which includes a new Parking and Revenue Control System which connects ticket dispensers, gates, pay stations, card manager server for monthly parking and additional enhancements.

## **BASIS OF AWARD:**

Chapter 102, HRS, provides in relevant part:

- §102-1 Definition. The word "concession" as used in this chapter means the grant to a person of the privilege to:
- (2) Operate a parking lot on property owned or controlled by the State with the exception of buildings, facilities, and grounds operated by or otherwise under the jurisdiction of the department of education; ...
- §102-2 Contracts for concessions; bid required, exception.
- (a) Except as otherwise specifically provided by law, no concession or concession space shall be leased, let, licensed, rented out, or otherwise disposed of either by contract, lease, license, permit or any other arrangement, except under contract let after public notice for sealed bids in the manner provided by law; provided that the duration of the grant of the concession or concession space shall be related to the investment required but in no event to exceed fifteen years; provided further that and subject to approval by county council resolution, the fifteen-year limit shall not apply to nonprofit corporations organized pursuant to chapter 414D.
- (b) The bidding requirements of subsection (a) shall not apply to concessions or space on public property set aside for the following purposes:
  - (1) For operation of ground transportation services and parking lot operations at airports, except for motor vehicle rental operations under Chapter 473D; ...

## CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

Pursuant to Section 11-200-8(a) Environmental Impact Statement Rules of the Department of Health, State of Hawai'i, this disposition is exempt from the requirements regarding preparation of an environmental assessment, negative declaration, or environmental impact statement as required by Chapter 343, Hawai'i Revised Statues, as amended, relating to Environmental Impact Statements, because the proposed action falls within Exemption Class #1, Comprehensive Exemption List for the State of Hawai'i, Department of Transportation, dated November 2000, as approved by the Environmental Quality Council. Exemption Class #1 covers operations, repairs, or maintenance of existing structures, facilities, equipment, or topographical features involving negligible or no expansion or change of use beyond that previously existing.

## **REMARKS:**

Resubmittal of Item M-1, June 24, 2016, Agenda

DOT respectfully resubmits its request that appeared on the June 24, 2016, agenda under Item M-1. Also, in response to the Board's request for information at the June 24, 2016, meeting, DOT submits an addendum with information that was requested by the Board as well as other information DOT believes is germane to the issue.

Chapter 102, HRS, Concessions

DOT respectfully submits that all concessions, statewide, are governed under Chapter 102, HRS, and that the Board is subject to the provisions of Chapter 102, HRS.

Although Chapter 171, HRS, codifies the Board's authority and section 171-11, HRS, makes reference to the issuance of concessions as one of the powers vested in the Board to which departments are authorized to exercise, Chapter 171 does not further address concessions in its statutory provisions and provides no guidance on the issuance of concessions. Such provisions are found in Chapter 102, which defines concessions and provides the only statutory framework for concessions. Accordingly, all State agencies and departments that seek to issue concessions should be subject to the provisions of Chapter 102.

Section 102-2(b)(1), HRS, specifically exempts parking lot operations from the public bidding requirements of Section 102-2(a), HRS. The amendment that exempted parking lot operations was enacted by Act 303, Session Laws of Hawaii 2001. The primary purpose of the bill was to include certain specific businesses within the definition of "concession" so that they would be subject to the public bidding requirements, while at the same time, the bill explicitly exempted parking lot operations from the bidding requirements. In passing the exemption, the Conference Committee stated:

The primary purpose of this bill is to include certain specific businesses within the definition of "concession" so that they are subject to public bidding requirements.

Upon further consideration your Committee on Conference has amended this bill to include motor vehicle rental operations under chapter 437D, . . , within the definition of "concession" so that such concessions are clearly subject to public bidding requirements.

Your Committee on Conference also amended this bill to **create an option for parking lot operations** so that such operations, due to their unique problems and circumstances, **may be exempt from public** 

## bidding requirements as determined by the Department of Transportation.

Conf. Com. Rep. No. 34, S.B. No. 1199, S.D. 2, H.D. 1, C.D. 1, Regular Session 2001 (Emphasis Added).

While adding motor vehicle rental operations and excluding parking lot operations, it was the Legislature's explicit intent to give DOT the option of using public bidding or direct negotiations for parking lot operations, in recognition of the unique problems and circumstances associated with such operations.

## Direct Negotiations

While the parking lot operations may be exempted from public bidding requirements, DOT recognizes the Board's concerns and its duty to ensure that directly negotiated concession contracts are reasonable, fair, and benefit the public. Although Chapter 102 does not address the Board's role in evaluating parking lot concessions, DOT believes that the Board's scope of review under the direct negotiation statute, Section 171-59(b), HRS, may be helpful. Under that statute, the Legislature recognized that in light of the public-utility nature of airport operations, in addition to competition, income and service to the public were essential interests. The committee report that passed the direct negotiation amendment to Section 171-59(b), HRS, states in part:

Your Committee recognizes that the best interests for the State are usually better protected by disposing of by public auction because it is more democratic and in the long run results in more income to the State.

However, where the lease is to airports and maritime operations which are public utilities by nature the prime interest is service to the public and the preservation of competition in addition to income. Sen. Stand. Com. Rep. No. 876-70, H.B. 974, H.D. 1, S.D. 1 (emphasis added).

DOT believes that in light of the impending development that will be impacting HNL, the existing concessionaire, ABM On-Site Services – West, Inc. ("ABM"), is the best entity to assist DOT in mitigating the impacts and provide continuing, reliable service to the public.

In the next five years, during the term of this Parking Concession, certain changes will be made to airport property that will have a significant impact on the parking concession. It is anticipated that the rail project will be traversing airport property, and part of the rail plan is to locate a station on airport property. Such a station would remove an existing parking lot. In addition, support foundations for the overhead train lines will remove another parking lot to allow for construction of support pillars. When the parking lot is returned to HNL, the number of parking stalls will be significantly reduced.

The DOTA is also moving ahead with plans to build the Mauka Concourse to expand the number of airplane gates available for use by airlines and travelers. The Mauka Concourse will eliminate the current parking Lot B, which provides in excess of 400 hundred parking stalls.

Construction in the areas noted above has, in addition to reducing the number of available parking stalls, the potential of impacting various utilities including communication and electrical services used by the concession. Given ABM's familiarity with the airport, its processes, and utility locations, it is the best candidate to help DOTA mitigate the impacts, as much as possible, on the parking operations, as well as reduce the inconvenience to the users.

ABM's experience and established performance record will further assist DOTA since it will not require additional oversight, and ABM's understanding of large construction projects will help DOTA manage HNL parking facilities through the construction and disruptions as it transitions over the next five years.

Additionally, ABM is committed to investing \$1.7 million in improvements, which includes a new Parking Revenue and Control System which connects ticket dispensers, gates, pay stations, card manager server for monthly parking and additional enhancements.

## **RECOMMENDATION:**

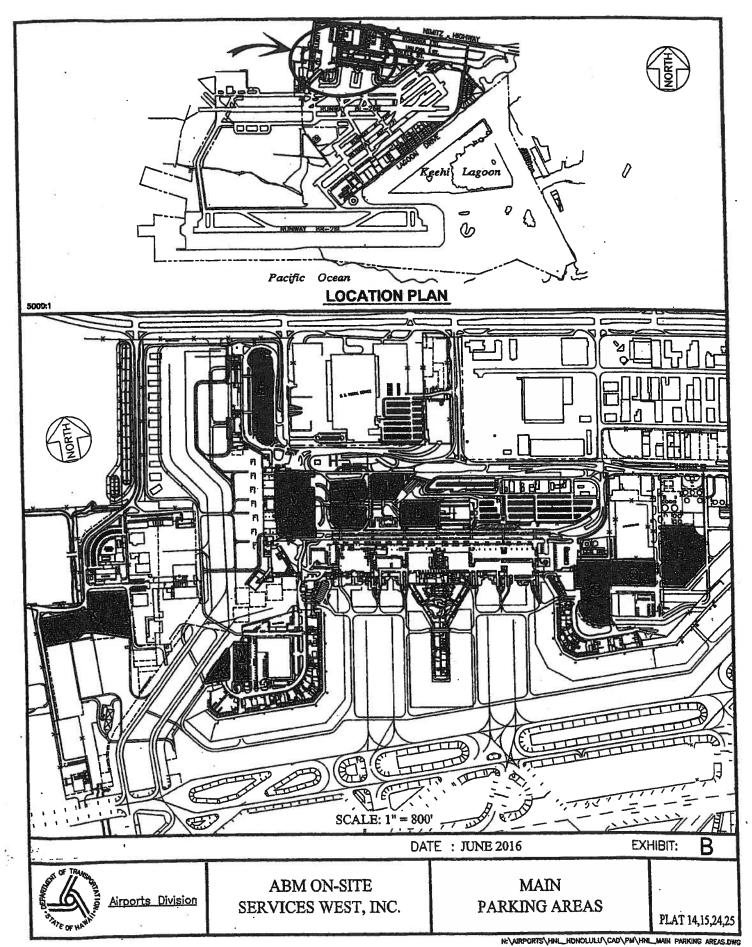
That the Board authorize the Department of Transportation to enter into a Concession Agreement with ABM On-Site Services - West, Inc. for the management and operation of the Parking Concession at Honolulu International Airport, subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; (2) such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interest of the State; and (3) review and approval of the Department of the Attorney General as to the lease form and content.

Respectfully submitted,

FORD N. FUCHIGAMI Director of Transportation

APPROVED FOR SUBMITTAL:

SUZANNE D. CASE Chairperson and Member



## Addendum to Submittal for Direct Issuance of a Parking Concession at the Honolulu International Airport

At the Board of Land and Natural Resources (Board) meeting of June 24, 2016, the Board considered Agenda Item M-1 which was a request from the Department of Transportation (DOT) to directly issue via the negotiated process a long-term concession agreement to operate the public parking concession at Honolulu International Airport (HNL). The proposed concessionaire is ABM Onsite Services — West, Inc. The Board did not grant DOT's request and asked the DOT to provide more information. The Board also inquired whether the concession agreement should be awarded through a public bid process to provide assurance to the public that the State of Hawaii is getting the best deal and not simply awarding the concession agreement to a particular entity.

The Board also asked DOT to provide information on methods of awarding parking concessions by other airports similar to HNL and details of the operations at those airports (e.g. if there are remote on-airport lots, who operates the shuttle and how are they paid, what are the parking rates at the airports, how is the parking contract awarded and what is the airport being paid under the current contract).

#### Information Requested: Remote on-airport lots, who operates the shuttle

There are no remote public parking lots or parking shuttles at HNL.

#### Information Requested: Parking rates at other airports

The information immediately below was provided to the Board in DOT letter no. AIR-PM 16-0792, dated July 6, 2016. It is reproduced here for ease of reference to the additional material provided herein.

## Las Vegas International Airport

1<sup>st</sup> floor of garage is designated as short term parking, subject to the following rates:

- a. 15 minute grace
- b. 1<sup>st</sup> hour \$2.00
- c. 1-2 hours \$4.00
- d. 2-3 hours \$6.00
- e. Each additional hour \$3.00
- f. Daily maximum \$36.00

#### 2<sup>nd</sup> floor and above

- a. 15 minute grace
- b. 30 minutes \$2.00
- c. 31-60 minutes \$3.00
- d. Each additional hour \$1.00
- e. Daily maximum \$16.00

#### San Francisco International Airport

- 1. Short Term
  - a. \$2.00 per 20 minutes
  - b. \$28.00 \$36.00 maximum per day depending on garage
- 2. Long Term
  - a. \$2.00 per 20 minutes
  - b. \$18.00 maximum per day

## **Los Angeles International Airport**

- 1. Short Term (on airport)
  - a. 1 hour \$3.00
  - b. Each additional 30 minutes \$2.00
  - c. Maximum per day \$30.00
- 2. Long Term (off airport/economy lot)
  - a. 1 hour \$4.00
  - b. Each additional hours \$4.00
  - c. Maximum per day \$12.00

At the time, downtown Honolulu daily maximum rates ranged from \$21.00 to \$72.00 depending on the commercial buildings.

As requested by the Board, the DOT also reviewed parking rates with similar passenger traffic as HNL. The Airports Council International annual publishes lists of airports ranked by their passenger traffic.

The 2014 North American Airport Traffic Summary (Passengers) places HNL in the No. 28 position in terms of passenger traffic.

## Salt Lake City is No. 25 (SLC).

- 1. Reserved \$50.00 per 24 hours
- 2. Garage \$32.00 per 24 hours
- 3. Long Term Economy \$9.00 per 24 hours (shuttle service provided by parking operator)

## Chicago Midway is No. 26

- 1. Garage 1st level \$59.00 per 24 hours
- 2. Garage 2<sup>nd</sup> level \$32.00 per 24 hours
- 3. Daily Lot \$32.00 per 24 hours
- 4. Economy \$15.00 per 24 hours

#### Ronald Regan Washington National Airport is No. 27

- 1. Terminal \$30.00 per 24 hours
- 2. Garages 1 & 2 \$17.00 per 24 hours
- 3. Economy Lot \$10.00 per 24 hours

## Honolulu International Airport is No. 28

## Vancouver is No. 29, but is not included as it is a Canadian Airport

## San Diego International Airport (SAN) is No. 30

- 1. Valet \$38.00 per 24 hours
- 2. Terminal Lots 1 &2 \$30.00 per 24 hours
- 3. Long Term Lots \$20.00 per 24 hours
- 4. Economy Lots \$13.00 per 24 hours

## Tampa International Airport (TPA) is No. 31

- 1. Valet \$30.00 per 24 hours
- 2. Short Term Garage \$22.00 per 24 hours
- 3. Long Term Garage \$18.00 per 24 hours
- 4. Economy Garage & Lot \$10.00 per 24 hours (approx.. 10 min wait for shuttle)

#### Portland International Airport (PDX) is No. 32

- 1. Valet \$30.00 per 24 hours
- 2. Short Term Lot \$27.00 per 24 hours
- 3. Long Term Lots \$21.00 per 24 hours
- 4. Economy Lot \$10.00 per day

#### **Discussion Points**

- 1. The DOT, Airports Division establishes the parking rates for all Hawai'i Airports. The concessionaire must charge the rates as determined by the DOT and as stated in the parking contract. The concessionaire is not allowed to charge additional fees.
- Due to the location of the parking garages at the Honolulu International Airport, all within walking
  distance to the terminals, the DOT was not able to establish different rates like the mainland
  airports noted above. The established rates, last increased in 2015, is a blending of short term
  and long term parking rates.

## Information Requested: Parking revenue for comparable airports

Of the above airports, detailed reports were provided by Salt Lake City (SLC), Tampa (TPA, and Portland (PDX). Below is a short synopsis of those reports.

SLC pays the parking operator for its operating expenses, management fees, incentives and costs for operation of the shuttle bus. In FY 2015. SLC paid the operator \$4.2 million out of the \$37.9 million collected from parking fees, which equates to 11% of total revenue. However, in the case of SLC, the airport, not the concessionaire, is responsible for all expenses and risk arising out of the operations of the parking lots and structures.

TPA's contract with its parking operator is for five years, two months with three one year options. The contract was issued through a request for proposals. The operator is paid \$1.76 million per year for the five-year term and also receives \$121,316 to maintain the shuttle bus fleet. TPA pays for staffing costs, uniforms, cleaning supplies, armored car service, credit card fees, long distance phone, facility repairs, and reasonable operating costs. Gross revenue to the airport was \$37.9 million. After deducting parking operating expenses of \$6.7 million, net revenue was \$31.1 million.

PDX's contract with its parking operator is for four years, with two, two year extensions at the PDX's discretion. Contract was awarded through an RFP process, the selection was made on "best bid" based on proposer's management fee, operating budget (reimbursable costs), experience, etc. For FY 2016, parking revenue at PDX was \$63.3 million. PDX paid the airport operator \$6.85 million or 10.8% of gross revenue (fixed fee plus reimbursables) or parking/shuttle bus operations.

#### **Discussion Points:**

- The current concession fee at HNL is a percentage of gross receipts. At SLC, TPA and PDX executed
  management fee contracts puts the risk of unexpected operational expenses on the airport, rather
  than the concessionaire.
- 2. Under the management contracts for SLC, TPA and PDX, the parking concession was paid between 10 11% of revenue, but was not responsible for any operational and maintenance costs. For the period August 1, 2015 to July 31, 2016, ABM was paid 19.2% of revenue to operate the parking concession. This may appear high compared to the other airports, but the parking contract at HNL requires the concessionaire provide all services at its own cost, such as parking attendant and maintenance payroll costs, daily garage cleaning of structure and lots, periodical power washings, maintain logs of vehicles that remain overnight in public parking and notifying the sheriff's office of any abandoned vehicles, insurance, and all other administrative and overhead costs incurred. The contract also requires the concessionaire to pay the General Excise Tax, whereas the other airports are responsible for this. For the above time period, the payment was near \$1,000,000.



## STATE OF HAWAII DEPARTMENT OF TRANSPORTATION

869 PUNCHBOWL STREET HONOLULU, HAWAII 96813-5097

JUN 2 4 2016

Board of Land and Natural Resources State of Hawai'i Honolulu, Hawai'i

DIRECT ISSUANCE OF A PARKING CONCESSION HONOLULU INTERNATIONAL AIRPORT

O'AHU

The Department of Transportation proposes to directly offer a Concession Agreement (Agreement) to ABM On-Site Services West, Inc. for the parking concession at Honolulu International Airport on the Island of O'ahu. The following contains a description and summary of some of the major terms and conditions that the DOT anticipates incorporating into the Agreement.

## **LEGAL REFERENCE**:

Chapter 102, Hawai'i Revised Statutes, as amended.

## **LOCATION AND TAX MAP KEY:**

Honolulu International Airport
Tax Map Key: 1<sup>st</sup> Division, 1-1-003:001 (Portion)

## **ZONING:**

State Land Use:

Urban

City and County of Honolulu:

Industrial (I-2)

## LAND STATUS:

Section 5(a), Hawai'i Admission Act – Non-Ceded DHHL 30% entitlement lands Yes \_\_\_\_\_ No \_X

## **CURRENT USE STATUS:**

U.2419

Land presently encumbered by Governor's Executive Order No. 3201, dated June 8, 1983, setting aside 3,152.177 acres designated as Honolulu International Airport under

## BLNR – DIRECT ISSUANCE OF A PARKING CONCESSION HONOLULU INTERNATIONAL AIRPORT Page 2

the control and management of the State of Hawai'i, Department of Transportation, Airports Division for Airport Purposes.

## TERM:

Eight years commencing on July 1, 2016 and ending on June 30, 2024.

## **CONCESSION FEE:**

- 1. <u>Annual Concession Fee</u>. The total annual Concession Fee shall be the greater of the following:
  - a. Minimum Annual Guaranteed Fee.

<u>First Year</u>. The minimum annual guaranteed fee for the first year of the term of the Agreement shall be \$15,600,000.00 (Fifteen Million, Six Hundred Thousand Dollars).

Successive Years. The minimum annual guaranteed fee for subsequent years of the term of the Agreement shall be 85% of what was paid and payable in the prior year.

## b. Percentage Fee.

The percentages (%) of the gross receipts from all Automobile Parking Facilities at the Airport for each Contract Year shall be as follows:

\$0 - \$30,000,000	80% of gross receipts
\$30,000,000.01 - \$31,000,000	81% of gross receipts
\$31,000,000.01 - \$32,000,000	82% of gross receipts
\$32,000,000.01 - \$33,000,000	83% of gross receipts
\$33,000,000.01 - \$34,000,000	84% of gross receipts
Over \$34,000,000	85% of gross receipts

#### **IMPROVEMENTS**:

The Concessionaire will make a minimum of \$1,700,000.00 (One Million, Seven Hundred Thousand Dollars) in improvements.

## BLNR – DIRECT ISSUANCE OF A PARKING CONCESSION HONOLULU INTERNATIONAL AIRPORT Page 3

## **BASIS OF AWARD:**

Chapter 102, Hawai'i Revised Statutes, in part, states the following:

- 102-1 Definition. The word "concession" as used in this chapter means the grant to a person of the privilege to:
- ... (2) Operate a parking lot on property owned or controlled by the State with the exception of buildings, facilities, and grounds operated by or otherwise under the jurisdiction of the department of education; ...
- 102-2 Contracts for concessions; bid required, exception.
- (a) Except as otherwise specifically provided by law, no concession or concession space shall be leased, let, licensed, rented out, or otherwise disposed of either by contract, lease, license, permit or any other arrangement, except under contract let after public notice for sealed bids in the manner provided by law; provided that the duration of the grant of the concession or concession space shall be related to the investment required but in no event to exceed fifteen years; provided further that and subject to approval by county council resolution, the fifteen-year limit shall not apply to nonprofit corporations organized pursuant to chapter 414D.
- (b) The bidding requirements of subsection (a) shall not apply to concessions or space on public property set aside for the following purposes:
- (1) For operation of ground transportation services and parking lot operations at airports, except for motor vehicle rental operations under Chapter 473D; ...

#### CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

Pursuant to Section 11-200-8(a) Environmental Impact Statement Rules of the Department of Health, State of Hawai'i, this disposition is exempt from the requirements regarding preparation of an environmental assessment, negative declaration, or environmental impact statement as required by Chapter 343, Hawai'i Revised Statues, as amended, relating to Environmental Impact Statements, because the proposed action falls within Exemption Class #1, Comprehensive Exemption List for the State of Hawai'i, Department of Transportation, dated November 2000, as approved by the Environmental Quality Council. Exemption Class #1 covers operations, repairs, or maintenance of existing structures, facilities, equipment, or topographical features involving negligible or no expansion or change of use beyond that previously existing.

## BLNR – DIRECT ISSUANCE OF A PARKING CONCESSION HONOLULU INTERNATIONAL AIRPORT Page 4

#### REMARKS:

During the term of the Parking Concession it is almost certain that changes to airport property that will have a significant impact on the parking concession will be made. At this point, it is anticipated that the rail project will be traversing airport property. Part of the rail plan is the location of a station on airport property. Such a station would replace an existing parking lot. In addition, another parking lot will be closed temporarily to allow for construction and installation of pillars that will support overhead train tracks. When the parking lot is returned the number of parking stalls will be significantly reduced.

The DOTA is also moving ahead with plans to build the Mauka Concourse to expand the number of airplane gates available for use by airlines and travelers. The Mauka Concourse will eliminate the current parking Lot B, which provides in excess of 400 hundred parking stalls.

Construction in the areas noted above has, in addition to reducing the number of available parking stalls, the potential of impacting various utilities including communication and electrical services used by the concession. Given the existing concessionaire's familiarity with the airport, its processes, and utility locations, the existing concessionaire is the best candidate to be able to reduce the impact, as much as possible, on the parking operations as well as inconvenience to the users of the parking facilities.

## RECOMMENDATION:

That the Board authorize the Department of Transportation to enter into a Concession Agreement with ABM Onsite Services – West, Inc. for the management and operation of the Parking Concession at Honolulu International Airport (HNL).

Respectfully submitted,

FORD N. FUCHICAMI Director of Transportation

APPROVED FOR SUBMITTAL:

Chairperson and Member

